

**TESTIMONY OF STAMFORD HEALTH
SUBMITTED TO THE APPROPRIATIONS COMMITTEE
FEBRUARY 16, 2017**

**HB 7027, An Act Concerning The State Budget For The Biennium Ending June Thirtieth
2019, And Making Appropriations Therefore**

Stamford Health is compelled to comment on the Governor's budget proposal which would allow cities and towns to levy property taxes on real estate owned by nonprofit hospitals. Consistent with our objection to the existing provider tax, we oppose any new taxes on hospitals.

This proposal would set a precedent that disregards the very foundation upon which hospitals earn nonprofit status as the community's safety net for all, regardless of ability to pay for a wide range of health care services. While perhaps unintended, it would have the effect of forcing hospitals to examine how to remain financially viable, challenging the fundamental mission of our hospitals.

The net effect of all these taxes is to increase costs of operations which depletes the hospital balance sheet. This balance sheet reduction makes it more expensive, if not impossible, for hospitals in the state to borrow funds in the future. Just as importantly, the provider tax is already requiring hospitals to shutter programs, lay off staff and pull back on outreach programs and other charity care initiatives intended to address the most vulnerable in the system.

Any benefit to hospitals under the hospital tax arrangement relies on generating federal matching dollars for supplemental Medicaid payments. Hospitals already pay \$556 million a year in taxes, and this year hospitals are expected to receive less than \$120 million in return. This is a tax burden of nearly 30x the corporate tax rate (i.e. sales tax vs. tax on income). Property taxes would only compound this problem, resulting in fewer jobs, less charity care and further stagnation of Connecticut's already fragile economy. Clearly, the idea that future payments would somehow offset new taxes is a hollow promise.

Last year alone, Stamford Hospital provided uncompensated charity care to our neediest citizens valued at \$25.9 million. Since 2012, Stamford Hospital has absorbed taxes and cuts to reimbursements at a cost of nearly \$75 million, soon expected to surpass \$100 million. As a result of these tax policies, and in light of other regulations that have unfairly targeted hospitals as a source of revenue for the state, Connecticut's hospitals have challenged the hospital tax in the courts on the basis that it violates federal law.

One of the primary roles of nonprofit hospitals is as the safety net for vulnerable citizens in our communities. This role has been and will be further undermined by any plan that allows cities and towns to levy property taxes on hospital-owned properties. It is simply irrational to think

that the tax challenges at the state or local levels can somehow be balanced on the backs of the very institutions that are the guardians of the communities' health. This part of the proposed budget must be defeated.

With the uncertain future of federal funding for Medicaid, the possible repeal of the affordable care act and chronic cuts to hospital funding by the state of Connecticut, further taxes on hospitals are unacceptable and will harm hospitals to the point where some of the smaller facilities may have to cease operations.

Stamford Hospital is strongly opposed to the Governor's budget proposal and the extreme financial burden it would create. We will oppose it vigorously with every means at our disposal.

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